To:
Mary Rupp, Secretary of the Board,
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428.

I represent a Credit Union with 450 members and 2 million dollars in assets. Although we are small we are able to offer many services due, in part, to the services provided by our corporate credit union, Wescorp.

I think that corporate credit unions provide vital services to natural person credit unions. I appreciate the unique strains that the economic circumstances are placing on all financial entities but must object if NCUA is considering any changes other than minor adjustments. Corporate credit union structure and governance should continue based upon the credit union model that is democratic and non-profit. Credit unions should be allowed to continue to create their own financial service co-operatives (corporate credit unions) for the benefit of credit unions and ultimately their natural person members. The services that corporate credit unions can offer should be limited only by the law and the desire of their members (credit unions) as determined by their duly elected representatives: their boards of directors. While I acknowledge the need for standards for those Boards of Directors I reiterate the need for the credit union model to continue. Corporate Boards should be drawn from the member credit unions. I would defer the question of compensation and term limits to the decision of the member credit unions with a personal preference against compensation. I am always in favor of greater transparency with regard to executive compensation everywhere. I am against the concept of outside directors. Anytime things become so complex that reasonable people cannot determine what is going on it is time to evaluate what is going on, not get more complex people. Surely these interesting times have shown us that!

Overall, there **should** be limits placed upon the investments allowed by all financial entities entrusted with funds –not just corporate credit unions. Therefore, I would be uncomfortable with any limitations specifically tailored to corporate credit unions since I would not want credit unions to end up at any disadvantage. Essentially, the protections that credit union members deserve are the protections that all citizens deserve so no distinction should be made. Those protections should be addressed at a higher level and brought to credit unions as a matter of parity.

I would like to see NCUA move with deliberation rather than speed in making any changes to the corporate credit unions. If there had been an advantage to decoupling payment processing and other services there would have been a demand for it before now. Just because there has been a general disruption due to larger problems in the economy does not mean that precipitous specific actions should be taken. The combination of payment systems and investment systems seem to me to be a symbiotic relationship that has worked well until this global (not credit union specific) problem with valuing investments occurred. Since I am part of a small credit union I would actually like to see corporate credit unions assist in supporting the viability of small credit unions by expanding some of the services that they may provide.

Data processing is one area that corporate credit unions might be able to facilitate improvements for small credit unions. Right now this is an area of high expense for small credit unions. Information Technology is central to the services we provide and corporate

credit unions could be in a position to consolidate IT services providing efficiencies of scale and enhancing security as well as high levels of disaster preparedness.
Small credit unions disappear all the time but provide valuable services tailored to small groups and survive largely because they are allowed access to services from corporates that allow them to compete. This is why corporate credit unions are so valuable to small credit unions. The ability of small credit unions to join distant or multiple corporates allows them to choose. A requirement for member capital accounts at every corporate that a small credit union wishes to acquire service from could be an obstacle to being able to shop the corporates. Competition should remain a possibility so that the whole system can remain stronger. Again, the disfunction of this current situation should not precipitate large, fear based changes. If cash flow limitations are to be placed let them be limitations that all financial institutions in similar roles are required to adhere to.
I may be wrong but the expanded authorities granted in Part 704 were not to blame for the current problems that Wescorp and US Central are experiencing but perhaps reliance on the NRSRO ratings were. My understanding is that the investments were highly rated but now are not marketable due to the overall market. Multiple evaluations of investments could be helpful but only after any conflict of interest be removed from the NRSROs. Again, this seems to be something that will need to be addressed for all financial institutions.
Finally, I support the California Credit Union League's suggestions that
1) Credit Union's be allowed to take the impairment directly from Undivided Earnings.
2)NCUA should utilize its regulatory authority to redefine the definition of "total assets" under §702.2(g) of the Prompt Corrective Action rule to exclude guaranteed or low/no-risk assets from net worth ratio calculations.
3) the Board make a formal amendment to the PCA regulation allowing the following assets be excluded from "total assets" for the calculation of net worth:

- Cash
- Overnight investments in corporate credit unions
- CU SIP deposits in corporate
- Corporate CU CDs
- Insured institutional certificates of deposit
- Guaranteed student loans
- Share secured loans
- Guaranteed portion of SBA loans
- Shares and loans guaranteed by the government
- Other government/recourse loans
- Accrued interest of non-risk investments
- Loans purchased from liquidating credit unions
- Assets held with options to sell to government
- Loans under Corporate CU Loan Guarantee Program
- GNMA/FNMA/FHLMC (GSE) securities/bonds
- U.S. Treasuries
- Furniture, fixtures, and equipment
- Land and buildings

4) the Board work with Credit Unions and Congress to set aside TARP Funds specifically for Credit Unions now before that option is moot. Credit Unions may not need to use the funds in the long run but we must get in line now.
5) Corporates should have direct access to the CLF
6) Please allow the NCUSIF replenishment to be accomplished over a longer period of time.
7) Please reevaluate the Risk based net worth standards of PCA with an eye to added flexibility at least equivalent to those used by the FDIC, the OTS, and the OCC utilize for bank PCA standards.
8) Please pursue changes that will allow credit unions the ability to build additional capital.

Finally, if, in fact, PIMCO is in a position of conflict of interest with regard to the valuation of the investments in question please find an alternate method for valuing the investments and hold all further actions until an unbiased evaluation can be performed. Perhaps, as suggested by the CCUL, the NCUA Board could work on devising a plan for credit unions to pay for the actual losses that may result from corporate investments as they occur, rather than requiring credit unions to pay up-front based on a theoretical estimate of the costs.

Thank you for giving me the opportunity to provide my input.
I recognize the difficulty of your task and wish you success for the good of all credit unions, natural person and corporate.

Thank you.

Lorna Stafford-Bentley
CEO Ketema Federal Credit Union charter 11414
lstaf@sfketema.com
619-588-3310
792 Greenfield Drive
El Cajon CA 92021